

**Coloma-Hagar Joint Fire Board
Berrien County, Michigan**

Financial Report

March 31, 2008

RENDEL ELIE
— & —
ASSOCIATES PLC
CERTIFIED PUBLIC ACCOUNTANTS

Auditing Procedures Report

[Reset Form](#)[Email](#)

Issued under Public Act 2 of 1968, as amended.

Unit Name	Coloma-Hagar Joint Fire Board	County	BERRIEN	Type	OTHER	MuniCode	
Opinion Date-Use Calendar	Jun 26, 2008	Audit Submitted-Use Calendar	Jul 15, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 541,680.00
General Fund Expenditure:	\$ 580,001.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 65,460.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Lynda	Last Name	Elie	Ten Digit License Number	1101019600				
CPA Street Address	1010 Main Street	City	Saint Joseph	State	MI	Zip Code	49085	Telephone	+1 (269) 983-1069
CPA Firm Name	RENDEL ELIE & ASSOC.	Unit's Street Address	P.O. Box 654	City	Coloma	LU Zip	49038		

Coloma – Hagar Joint Fire Board

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RENDEL ELIE
— & —
ASSOCIATES PLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Trustees
Coloma - Hagar Joint Fire Board
Coloma, Michigan

We have audited the accompanying basic financial statements of the Coloma - Hagar Joint Fire Board as of March 31, 2008 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the management of the Coloma - Hagar Joint Fire Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Coloma - Hagar Joint Fire Board as of March 31, 2008 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Coloma - Hagar Joint Fire Board. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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Independent Auditors' Report (continued)

The management discussion and analysis included in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Coloma - Hagar Joint Fire Board. We did not examine this data and, accordingly, do not express an opinion thereon.

Rendel Elie & Associates
RENDEL ELIE & ASSOCIATES, PLC
CERTIFIED PUBLIC ACCOUNTANTS

June 26, 2008

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**Coloma – Hagar Joint Fire Board
Management's Discussion and Analysis
March 31, 2008**

Using this Annual Report

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Fire Board:

- The first column of the financial statements includes information on the Fire Board's General Fund under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Fire Board's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *government-wide financial statement* columns provide both *long-term* and *short-term* information about the Fire Board's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Fire Board as a whole and present a longer-term view of the Fire Board's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

**Coloma – Hagar Joint Fire Board
Management's Discussion and Analysis
March 31, 2008**

Condensed Financial Information

The table below compares key financial information as of March 31, 2008 and 2007.

	<u>2008</u>	<u>2007</u>
Assets:		
Current assets	\$ 90,538	\$ 131,421
Non-current assets	<u>823,852</u>	<u>641,306</u>
Total assets	914,390	772,727
Liabilities:		
Current liabilities	25,078	27,820
Non-current liabilities	<u>--</u>	<u>--</u>
Total liabilities	25,078	27,820
Net assets:		
Invested in capital, net of related debt	823,852	641,306
Unrestricted	<u>65,460</u>	<u>103,601</u>
Total net assets	<u>\$ 889,312</u>	<u>\$ 744,907</u>
Revenue:		
Local unit contributions	\$ 508,332	\$ 292,589
Grant revenue	21,386	--
Charges for services	6,305	--
Other revenue	2,664	3,413
Interest	<u>3,173</u>	<u>4,288</u>
Total revenue	541,860	300,290
Expenses	<u>359,855</u>	<u>317,176</u>
Change in net assets	<u>\$ 182,005</u>	<u>\$ (16,886)</u>

**Coloma – Hagar Joint Fire Board
Management's Discussion and Analysis
March 31, 2008**

The Fire Board as a Whole

- The Fire Board's net assets increased by \$182,005 compared to a decrease of \$16,886 the prior year.
- The Fire Board's primary source of revenue is from contributions from local governmental units, which represents 94% of the current year revenue and 98% of the prior year revenue. The Fire Board received grants of \$21,386 the current year.
- Personnel costs continue to be a significant expense of the Fire Board, representing 41% of the current year expenses and 52% of the prior year expenses.

Capital Asset and Debt Administration

Capital assets increased by approximately \$ 286,017 which included the purchase of a Freightliner tanker/pumper. The prior year, the Fire Board's capital assets increased by \$8,415.

The Fire Board does not have any long-term debt.

Fire Board Budgetary Highlights

Over the course of the year, several of the Fire Board's actual expenditures exceeded what was originally budgeted and the budget was subsequently amended in June 2007 and March 2008. The final budget included personnel and repairs and maintenance that were in excess of actual expenditures and capital outlay that was below actual expenditures. Total expenditures were \$30,399 under budget and revenue was \$18,540 under budget.

Contacting the Fire Board's Management

This financial report is intended to provide a general overview of the Fire Board's finances and to show the Fire Board's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Fire Board treasurer, Robert Wooley.

Coloma - Hagar Joint Fire Board
Governmental Fund Balance Sheet / Statement of Net Assets
March 31, 2008

	General Fund Modified <u>Accrual Basis</u>	<u>Adjustments</u>	Statement of <u>Net Assets</u>
Assets			
Cash	\$ 75,114	\$ -	\$ 75,114
Due from other governmental units	12,115	-	12,115
Prepaid insurance	3,309	-	3,309
Capital assets, net	<u>-</u>	<u>823,852</u>	<u>823,852</u>
Total assets	<u>\$ 90,538</u>	<u>823,852</u>	<u>914,390</u>
Liabilities			
Accounts payable	\$ 5,145	-	5,145
Accrued wages and payroll taxes	<u>19,933</u>	<u>-</u>	<u>19,933</u>
Total liabilities	<u>25,078</u>	<u>-</u>	<u>25,078</u>
Fund Balance/Net Assets			
Fund balance - unreserved, undesignated	<u>65,460</u>	<u>(65,460)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 90,538</u>		
Net assets:			
Invested in capital assets, net of debt		823,852	823,852
Unrestricted		<u>65,460</u>	<u>65,460</u>
Total net assets		<u>\$ 889,312</u>	<u>\$ 889,312</u>

See auditors' report and notes to financial statements.

Coloma - Hagar Joint Fire Board
Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance /
Statement of Activities
Year Ended March 31, 2008

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
Revenues:			
Local unit contributions	\$ 508,332	\$ -	\$ 508,332
Grant revenue	21,386	-	21,386
Charges for services	6,305	-	6,305
Interest	3,173	-	3,173
Other revenue	2,664	-	2,664
Total revenue	<u>541,860</u>	<u>-</u>	<u>541,860</u>
Expenditures:			
Personnel	144,505	-	144,505
Repairs and maintenance	31,200	-	31,200
Insurance	27,274	-	27,274
Utilities	19,371	-	19,371
Supplies	20,794	-	20,794
Professional services	5,483	-	5,483
Board fees	2,383	-	2,383
Education and training	2,750	-	2,750
Uniforms	40,070	-	40,070
Public relations	100	-	100
Miscellaneous	54	-	54
Capital outlay	286,017	(286,017)	-
Depreciation	-	65,871	65,871
Total expenditures	<u>580,001</u>	<u>(220,146)</u>	<u>359,855</u>
Excess of Revenue over Expenditures / Change in Net Assets	(38,141)	220,146	182,005
Fund Balance/Net Assets - beginning of year	103,601	641,306	744,907
Prior Period Adjustment	<u>-</u>	<u>(37,600)</u>	<u>(37,600)</u>
Fund Balance/Net Assets - end of year	<u>\$ 65,460</u>	<u>\$ 823,852</u>	<u>\$ 889,312</u>

See auditors' report and notes to financial statements.

Coloma - Hagar Joint Fire Board
Notes to Financial Statements
March 31, 2008

Summary of Significant Accounting Policies

Reporting Entity

The Coloma - Hagar Joint Fire Board is a joint venture between the City of Coloma, Coloma Charter Township, and Hagar Township and is governed by a seven-member board appointed by the City and Townships. The purpose of the Joint Fire Board is to operate, maintain, provide and supervise fire service. The Fire Board is funded primarily through contributions from the City of Coloma, Coloma Charter Township, Bainbridge Township, and Hagar Township.

The Fire Board is defined as a governmental unit under criteria set forth by AICPA'S Audits of State and Local Governmental Units (ASLGU). These criteria include; a Board of Trustees consisting of representative members appointed or elected from the governmental units served and, the power to enact and enforce a tax levy.

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity.

The accounting policies of the Coloma - Hagar Joint Fire Board conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion an Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Fire Board's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Fire Board's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements, including notes to the financial statements.

**Coloma - Hagar Joint Fire Board
Notes to Financial Statements
March 31, 2008**

Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Fire Board's basic financial statements include both government-wide (reporting the Fire Board as a whole) and fund financial statements (reporting the Fire Board's major funds).

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Fire Board's net assets are reported in four parts – invested in capital assets; designated net assets; restricted net assets; and unrestricted net assets.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire Board considers revenue to be available if they are collected within ninety days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**Coloma - Hagar Joint Fire Board
Notes to Financial Statements
March 31, 2008**

Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The Fire Board reports only one major governmental funds, the General Fund.

Financial Statement Amounts

Bank Deposits and Investments – The Fire Board has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Capital Assets – Capital assets are defined by the Fire Board as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	40-50 years
Furniture and equipment	3-7 years
Vehicles	5-20 years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Coloma - Hagar Joint Fire Board
Notes to Financial Statements
March 31, 2008

Budget Information

The annual budget is prepared by the Fire Board Director and adopted by the Fire Board of Trustees; subsequent amendments are approved by the Fire Board of Trustees. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (combined statement of revenue, expenditures and changes in fund balances – budget and actual – general fund types) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted is a violation of Michigan law. A comparison of the actual results of operations, as adopted by the Fire Board, is presented in these financial statements.

During the year, the Fire Board incurred expenditures that were in excess of budget by more than \$5,000 in the following category:

	<u>Budget</u>	<u>Actual</u>
Capital outlay	\$273,200	\$286,017

Deposits and Investments

The Fire Board has designated one bank for the deposit of its funds. The investment policy adopted by the Fire Board is in accordance with Public Act 196 of 1997 and has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authorized investments. The Fire Board's deposits and investment policies are in accordance with statutory.

Capital Assets

Capital asset activity was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>End Balance</u>
Buildings and improvements	\$ 308,727	\$ 18,075	\$ 94,000	\$ 232,802
Vehicles	1,275,246	265,124	-	1,540,370
Equipment	453,524	2,818	-	456,342
Total	2,037,497	286,017	94,000	2,229,514
Accumulated depreciation	(1,396,191)	(65,871)	(56,400)	(1,405,662)
Net book value	<u>\$ 641,306</u>	<u>\$ 220,146</u>	<u>\$ (37,600)</u>	<u>\$ 823,852</u>

Coloma - Hagar Joint Fire Board
Notes to Financial Statements
March 31, 2008

Prior Period Adjustment

During the fiscal year ending March 31, 2005, the Fire Board's operating agreement was amended and the participating municipalities transferred title and ownership of all real and personal property to the Fire Board.

The agreement stipulated that in the event Hagar Township constructed a new fire station, the Fire Board would convey the existing Hagar Township Fire Station to Hagar Township without cost to Hagar Township upon completion of the new fire station. The new fire station would be deemed complete upon the grant of an occupancy permit by Hagar Township's building department.

Hagar Township constructed a new fire station and an occupancy permit was granted June 7, 2006. Pursuant to the agreement, the old Hagar Township Fire Station was conveyed to Hagar Township. The prior period adjustment reflects this conveyance.

Leasing Arrangements

The Fire Board leases the Hagar Township public safety building from the Township of Hagar for \$1 per year. The lease expires in June 2027.

Risk Management

The Fire Board is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Fire Board has purchased commercial insurance for property, liability and workers' compensation.

**Coloma - Hagar Joint Fire Board
Notes to Financial Statements
March 31, 2008**

Reconciliation of Fund Financial Statements to Government-wide Financial Statements

Total fund balance and the net change in fund balance of the Fire Board's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance – Modified Accrual Basis	\$ 65,460
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Differences in the statement of net assets:

Capital assets are not financial resources, and are not reported in the funds	<u>823,852</u>
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Net Assets of General Fund – Full Accrual Method	<u>\$ 889,312</u>
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**Coloma - Hagar Joint Fire Board
Notes to Financial Statements
March 31, 2008**

**Reconciliation of Fund Financial Statements to Government-wide Financial
Statements (Continued)**

Net Change in Fund Balances – Modified Accrual Basis \$ (38,141)

Differences in the statement of net assets:

Capital outlays are reported as expenditures in the Statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	286,017
Depreciation	<u>(65,871)</u>

Change in Net Assets of General Fund – Full Accrual Basis \$ 182,005

Coloma - Hagar Joint Fire Board
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended March 31, 2008

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Over (Under)
Revenues:				
Local unit contributions	\$ 315,900	\$ 532,300	\$ 508,332	\$ (23,968)
Grant revenue	-	-	21,386	21,386
Charges for services	-	-	6,305	6,305
Interest	2,100	2,100	3,173	1,073
Other revenue	<u>26,000</u>	<u>26,000</u>	<u>2,664</u>	<u>(23,336)</u>
Total revenue	344,000	560,400	541,860	(18,540)
Expenditures:				
Personnel	167,300	168,700	144,505	(24,195)
Repairs and maintenance	43,000	47,200	31,200	(16,000)
Insurance	32,000	30,600	27,274	(3,326)
Utilities	17,200	18,900	19,371	471
Supplies	32,000	17,800	20,794	2,994
Professional services	7,300	5,800	5,483	(317)
Board fees	2,700	2,700	2,383	(317)
Education and training	4,000	3,000	2,750	(250)
Uniforms	24,000	40,500	40,070	(430)
Public relations	1,200	1,200	100	(1,100)
Miscellaneous	1,300	800	54	(746)
Capital outlay	<u>12,000</u>	<u>273,200</u>	<u>286,017</u>	<u>12,817</u>
Total expenditures	<u>344,000</u>	<u>610,400</u>	<u>580,001</u>	<u>(30,399)</u>
Excess of Revenue over Expenditures / Change in Net Assets	-	(50,000)	(38,141)	11,859
Fund Balance/Net Assets - beginning of year	<u>103,601</u>	<u>103,601</u>	<u>103,601</u>	-
Fund Balance/Net Assets - end of year	<u>\$ 103,601</u>	<u>\$ 53,601</u>	<u>\$ 65,460</u>	<u>\$ 11,859</u>

RENDEL ELIE
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ASSOCIATES PLC
CERTIFIED PUBLIC ACCOUNTANTS

June 26, 2008

Coloma-Hagar Joint Fire Board
Coloma, MI 49038

Report of Comments and Recommendations

In planning and performing our audit of the financial statements of the Coloma-Hagar Joint Fire Board, for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Coloma-Hagar Joint Fire Board's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We identified certain deficiencies in internal control that we consider to be significant deficiencies, and are as follows:

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Controls over Financial Reporting Process – Policies and procedures to prepare financial statements in accordance with U.S. generally accepted accounting principles, including recording receivables and payables, and changes in capital assets, were not in place. As in prior years, the Fire Board has relied upon our firm as auditor to identify and develop adjustments necessary to convert cash basis financial statements into full accrual financial statements and to prepare the financial statements and appropriate disclosures. This service is allowable under current auditing standards and ethical guidelines, and may be the most efficient and effective method for preparation of the Fire Board's financial statements. However, when an organization, on its own, lacks the ability to produce financial statements that conform to generally accepted accounting principles, or when significant audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as significant deficiencies. Reliance on your *external* auditors cannot by definition be considered a part of the Fire Board's *internal* controls. We recommend that management and those charged with governance evaluate and document their informed decision on the costs and benefits of contracting financial statement preparation services with its auditor.

Other Comments:

Segregation of duties – The Fire Board's system of internal control is affected by the size of staff that it can employ. The ultimate accounting system would include enough individuals to segregate all aspects of each transaction. The Fire Board does not feel it is cost effective to add staff to separate these functions.

We recommend that another board member review the bank reconciliations that are performed monthly by the Treasurer. This would provide a double check of the accuracy of the bank reconciliations and give another board member a greater understanding of the cash process at the Fire Board.

Board approval of paid invoices – The State of Michigan requires that the Fire Board, prior to disbursement, approve all disbursements unless addressed otherwise in the charter. The Fire Board currently has a procedure to delegate authorization of payments prior to board approval to avoid finance or late charges and to pay appropriated amounts and payroll. The Fire Board may want to formally adopt a written policy to authorize this delegation. The list of payments made prior to board approval and approved by the board after payment should be documented in the minutes.

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Investment Policy – A formal written investment policy is required of governmental units. It provides clear direction from the board what investments are approved investments and who is authorized to make investment transactions. If the board cannot locate a copy of their investment policy, a new one should be prepared and adopted.

Budget amendments – The budget process includes a great deal of estimating and it is not unusual for significant variances to develop throughout the year. We recommend that the board continue to monitor actual financial results to the original budgets and amend the budget as needed. The budget was not amended this year to reflect all of the capital outlay for equipment.

Accounting Software - There are several features of your accounting software that, if utilized, could enhance financial reporting to the Fire Board. To prevent the likelihood of a difference between the financial reports and the accounting records, all transactions should be entered into your accounting software and the financial report feature of your software should be used to generate the reports provided to the board for review at the monthly meetings. Currently, financial reports are generated in separate software from the general ledger. We are available for training to assist you in implementing your new accounting software.

We wish to express our appreciation for the friendliness and cooperation extended to us during this audit.

Rendel Elie & Associates
RENDEL ELIE & ASSOCIATES, PLC
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— & —
ASSOCIATES PLC
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June 26, 2008

Coloma-Hagar Joint Fire Board
PO Box 654
Coloma, MI 49038

We have audited the financial statements of the Coloma-Hagar Joint Fire Board for the year ended March 31, 2008, and have issued our report thereon dated June 26, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 9, 2006, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 16, 2008.

Significant Audit Findings

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Coloma-Hagar Joint Fire Board are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

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Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

Professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the financial reporting process (that is, cause future financial statements to be materially misstated). We proposed numerous adjusting journal entries, which in our judgment, had a significant effect on the Coloma-Hagar Joint Fire Board's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 26, 2008.

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Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Issues

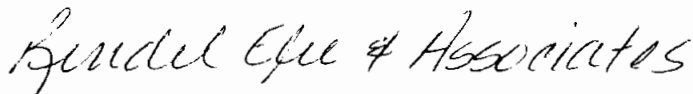
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Coloma-Hagar Joint Fire Board and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



RENDEL ELIE & ASSOCIATES, PLC
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